

AMENDED IN ASSEMBLY MAY 5, 2009

AMENDED IN ASSEMBLY APRIL 14, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

## ASSEMBLY BILL

**No. 812**

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**Introduced by Assembly Member De La Torre**

February 26, 2009

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An act to add Section 1378.1 to the Health and Safety Code, and to add Section 10113.11 to the Insurance Code, relating to health care coverage.

### LEGISLATIVE COUNSEL'S DIGEST

AB 812, as amended, De La Torre. Health care coverage: medical loss ratio.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Under existing law, a health care service plan is prohibited from expending for administrative costs, as defined, an excessive amount of the payments it receives for providing health care services to its subscribers and enrollees. Existing law also provides for the regulation of health insurers by the Department of Insurance. Under existing law, the Insurance Commissioner is required to withdraw approval of an individual or mass-marketed policy of disability insurance if the commissioner finds that the benefits provided under the policy are unreasonable in relation to the premium charged, as specified.

This bill would require a health care service plan or health insurer to annually report to the Director of *the Department of Managed Health Care* or the Insurance Commissioner the medical loss ratio of each

health care service plan product or health insurance policy form issued, amended, or renewed by the plan or insurer in California. The bill would require the director or commissioner to make the information reported available to the public *and would require the departments to jointly adopt and amend regulations to implement these provisions in order to establish uniform medical loss ratio reporting.*

Because a willful violation of the bill's requirements with respect to health care service plans would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 1378.1 is added to the Health and Safety
- 2 Code, to read:
- 3 1378.1. (a) Commencing January 1, 2010, a health care service
- 4 plan shall annually report to the director the medical loss ratio of
- 5 each health care service plan product issued, amended, or renewed
- 6 by the plan in California. The director shall make the information
- 7 reported pursuant to this section available to the public.
- 8 (b) *The department and the Department of Insurance shall*
- 9 *jointly adopt and amend regulations to implement this section and*
- 10 *Section 10113.11 of the Insurance Code to establish uniform*
- 11 *reporting of the medical loss ratio by health care service plans*
- 12 *and health insurers.*
- 13 SEC. 2. Section 10113.11 is added to the Insurance Code, to
- 14 read:
- 15 10113.11. (a) Commencing January 1, 2010, a health insurer
- 16 shall annually report to the commissioner the medical loss ratio
- 17 of each health insurance policy form issued, amended, or renewed
- 18 by the insurer in California. The commissioner shall make the
- 19 information reported pursuant to this section available to the public.
- 20 (b) *The department and the Department of Managed Health*
- 21 *Care shall jointly adopt and amend regulations to implement this*

1 *section and Section 1378.1 of the Health and Safety Code to*  
2 *establish uniform reporting of the medical loss ratio by health*  
3 *care service plans and health insurers.*

4 SEC. 3. No reimbursement is required by this act pursuant to  
5 Section 6 of Article XIII B of the California Constitution because  
6 the only costs that may be incurred by a local agency or school  
7 district will be incurred because this act creates a new crime or  
8 infraction, eliminates a crime or infraction, or changes the penalty  
9 for a crime or infraction, within the meaning of Section 17556 of  
10 the Government Code, or changes the definition of a crime within  
11 the meaning of Section 6 of Article XIII B of the California  
12 Constitution.